

DEPARTMENT OF WATER RESOURCES

1416 NINTH STREET, P.O. BOX 942836
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(916) 653-5791



MAY 01 2007

Mr. William M. Clark
Generation Executive
Nevada Power Company
6226 West Sahara Avenue
Las Vegas, Nevada 89151-0001

Reid Gardner (RG4) Participation Agreement

Dear Mr. Clark:

I wanted to follow up on previous discussions between the California Department of Water Resources (CDWR) and Nevada Power Company (NPC) concerning a potential extension of the Reid Gardner (RG4) Participation Agreement. We wish to thank NPC for its willingness to open discussions on extending the Agreement. However, in support of California's goal of reducing greenhouse gas emissions from power plants providing power to California, we will not be seeking an extension of the Agreement beyond its termination date of July 25, 2013.

RG4 has been an important part of DWR's energy resource mix, and we remain interested in future partnership opportunities with NPC that are appropriate for our power portfolio. We look forward to discussing these potential opportunities with NPC.

If you have any questions, please call me at (916) 653-8583.

Sincerely,

A handwritten signature in blue ink, appearing to read "Carl A. Torgersen".

Carl A. Torgersen, Chief
Division of Operations and Maintenance